

The Northwest Report

Issue 59 March 2018

For Owners, Operators and Investors in Manufactured Housing Communities Nationwide

Senate Banking Committee Passes Bill Giving Manufactured Home Retailers and Sellers Relief from the Dodd-Frank Act

In December the Senate Banking Committee passed legislation to clarify that a manufactured housing retailer or seller is not considered a "loan originator" simply because they provide a customer with some assistance in the mortgage loan process. This is a key tenet of S. 1751, the Preserving Access to Manufactured Housing Act, which excludes manufactured housing retailers and sellers from the definition of a loan originator so long as they are only receiving compensation for the sale of a home.

The language was passed as a part of S. 2155, the "Economic Growth, Regulatory Relief and Consumer Protection Act," which is a package of reforms intended to improve the national financial regulatory framework and promote economic growth. S. 2155 was passed by the Senate Banking Committee by a bipartisan vote of 16 to 7.

Anti-Manufactured Housing Amendment Threatens Exemption

Manufactured housing industry leaders contacted their Senators about voting in favor of S. 2155, the Economic Growth, Regulatory Relief and Consumer Protection Act, which includes a provision clarifying that a retailer or seller of manufactured housing is not considered a "loan originator" simply because they provide a customer with some assistance in the mortgage loan process.

However, Oregon Senator Ron Wyden (D) has proposed an amendment which would strike this manufactured housing provision from S. 2155.

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This amendment seeks to strike the language from S. 2155 which clarifies that a retailer or seller of manufactured housing is not considered a "loan originator" simply because they provide a customer with some assistance in the mortgage loan process. The inclusion of this language in S. 2155 will ensure that manufactured housing retailers and sellers are not subject to compliance requirements clearly designed to apply only to the actual entity making the mortgage loan.

Similar to real estate agents, manufactured housing retailers and salespeople are fundamentally in the business of selling homes, not originating loans. The language clarifies that manufactured home retailers and their employees are not considered loan originators, so long as they do not receive compensation or gain for performing such activities. Industry advocacy groups and trade associations encourage everyone to contact their Senator and tell them to oppose the Wyden Amendment #2082.

Federal Government Active in Manufactured Housing News

On March 7, 2018, Members of Congress sent a letter to U.S. Department of Housing and Urban Development (HUD) Secretary Ben Carson in response to the Department's recent announcement of a "top-to-bottom" review of its manufactured housing rules. The letter urged the Secretary to "work with the industry to ensure regulations are streamlined, cost-effective, and applied fairly and transparently – while also working to keep manufactured housing as an affordable housing alternative for American families."

This letter is an important result of the manufactured housing industries aggressive and ongoing outreach with the White House, HUD, and Congress to address the negative impact that the Department is having on manufactured housing. MHI previously presented Secretary Carson and his senior leadership with a series of recommendations to improve the regulatory climate for manufactured housing at HUD. In addition, industry leaders have sent letters to the U.S. Department of Commerce, the Office of Management and Budget, U.S. House leaders and the Senate Banking Committee expressing these concerns.

In a letter to industry advocates the U.S. House of Representatives have expressed concern "that the Department has imposed excessive and contradictory regulations on the manufactured housing industry that are limiting consumers' choices and

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making this important form of affordable housing more expensive." This letter is a continuation of the industry efforts with Congress to improve the regulatory climate for manufactured housing at HUD and the latest in a series of actions by the House of Representatives to address HUD's overreach of manufactured housing.

"I am pleased to see that HUD is doing a much-needed full scale review of their manufactured housing regulations," said Representative Andy Barr (R-KY), who led the letter. "With more than 22 million Americans already living in manufactured housing, it is my hope that HUD will react quickly to the particular problems I, along with MHI, have brought to their attention so that even more families can achieve the American dream of homeownership through the purchase of a quality, affordable manufactured home."

Joining Representative Barr on the letter were Representatives Kyrsten Sinema (D-AZ), Bruce Poliquin (R-ME), Terri Sewell (D-AL), David Kustoff (R-TN), and Kathleen Rice (D-NY), all who have been strong champions of manufactured housing.

Congress & Expo Attracts High Powered Speakers

The largest manufactured housing event of the year gets underway at the Paris Hotel in Las Vegas on April 24th, and the General Session speaker lineup has just been announced. Trump Administration HUD Secretary Dr. Ben Carson will be the Keynote Speaker this year, marking the first time in many years where the Congress & Expo has been able to attract a Presidential cabinet member to the event. Rounding out the field includes Rick Robinson of MHI and Chris Fisher of Ducker Worldwide.

Educational workshops include: 1). Industry attorney question and answer panel discussion, 2). Community infrastructure solutions, 3). Disaster prevention, preparedness & recovery, 4). Challenges and opportunities with the tiny home movement, 5). What are Fannie Mae and Freddie Mac doing to support financing of manufactured housing.

Manufactured Housing Production Grows Again

According to official statistics compiled on behalf of the U.S. Department of Housing and Urban Development (HUD) and The Manufactured Housing Association for

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Regulatory Reform (MHARR), year-over-year manufactured housing production grew again, according to the latest production reports. The latest statistics available track home production through January 2018 and they indicate that HUD Code manufacturers produced 8,636 homes in January, a 10.3% increase over the 7,827 HUD-Code homes built in January of 2017.

Further examination of official industry statistics shows that the top ten shipment states from the beginning of the industry production rebound in August 2011 through January 2018 are: Texas, Louisiana, Florida, Alabama, North Carolina, Mississippi, California, Kentucky, Michigan and Tennessee.

The steady increase in HUD Code home production since 2011 is clear and undisputable evidence that manufactured homes not only continue to serve a vital role in our nation's housing market, but that today's high-quality manufactured homes are attracting ever-larger numbers of homebuyers.

Across the country manufactured home production facilities continue to run at near record levels, pushing their ability to keep up with consumer demand by increasing production while trying to keep quality under control.

Financing a Manufactured Home Community

Interest rates have been subject to slight increases as the mortgage market continues to experience solid growth and the threat of inflation begins to worry economists. Nevertheless, financing remains readily available to real estate asset classes, including manufactured home communities and other multi-family housing types.

The latest interest rates for manufactured housing community financing or refinancing on the West Coast remain at or near these rates, which have risen slightly since summer. Three-year fixed, 4.515%, five-year fixed, 4.625%, seven-year fixed, 4.675%, ten-year fixed, 4.725% and fifteen-year fixed at 4.695%. Rates can vary depending on the quality and location of the asset and other determining factors. Annual renewable mortgages (ARM) are as low as 2.250% for highly qualified borrowers.

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Rick Robinson, Senior Vice President of State and Local Affairs and General Counsel for the Manufactured Housing Institute, testified on assistance animal legislation in Kentucky last month. He said, "There is an entire internet-based industry that sells certificates, branded leases and animal clothing bearing the words 'assistance animal' -- all giving the impression a beloved pet is something with special status under the law. In these circumstances, the company has no therapeutic relationship with the tenant. In fact, the only relationship between the two is a valid credit card."

At a community in Western Kentucky "a tenant had such a strong relationship with their assistance pit bull that they left the poor animal tied outside to a tree all winter," Robinson added.

Skyline Corporation and Champion Home Builders Merge

Most manufactured housing insiders were caught by surprise when it was announced a few weeks ago that Skyline Corporation and Champion Enterprises, LLC, the parent company of Champion Home Builders, Inc., will combine their operations. The new company will be the nation's largest publicly traded manufactured housing company, Skyline Champion Corporation.

Surprising in that industry conjecture for several months was that Skyline was to be gobbled up by behemoth Clayton, heretofore the largest factory-built housing company in the U.S. Instead, the new Skyline Champion Corporation will supplant Berkshire Hathaway's Clayton Manufactured Housing as the nation's largest manufactured home company.

According to the merging companies, the new corporation will include 36 manufacturing facilities, 21 factory-direct retail locations, and provide transportation services to the manufactured home industry from 10 locations across the United States.

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COMMERCIAL REAL ESTATE BROKERS
The Manufactured Housing Community Network

According to *Goshen News*, Champion Chief Executive Officer Keith Anderson, will also serve as CEO of Skyline Champion Corp. In addition, Laurie Hough, Champion chief financial officer, will serve as CFO of the combined company. Skyline anticipates nominating John Firth, current Chairman of Skyline, and Rich Florea, current CEO of Skyline, as directors of the combined company and Art Decio, original founder of Skyline and member of the board since 1959, as a senior advisor to the combined company's board of directors, according to the company. Skyline Champion's principal office will remain in Elkhart, Indiana, with additional executive offices in Troy, Michigan.

It is anticipated that the transaction will generate annual synergies to be achieved through direct cost savings, reduced overhead costs, and operational improvement opportunities. The new company is expected to have combined revenues of greater than \$1 billion.

Engage the Best

2018 is shaping up to be another great year for **Northwest Park Brokerage**. Without question, no brokerage firm in the Pacific Northwest or on the entire West Coast has a better grasp of market conditions than **Northwest Park Brokerage**. We have our pulse on the industry, we intimately understand the business, and we have relationships with buyers and sellers who are serious, qualified and motivated. Let us help you evaluate your community. **Give us a call at 206.652.4100.**

Upcoming Events

MHI National Congress & Expo

April 24-26, 2018

National Communities Council Meeting is April 24th

Paris Hotel, Las Vegas, NV

MHCW Annual Convention Tulalip Resort & Casino

May 8-9, 2018

Board Meeting May 7, 2018

Contact Manufactured Housing Communities of Washington

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COMMERCIAL REAL ESTATE BROKERS
The Manufactured Housing Community Network

MHCO Management Training Seminar

June 13, 2018
Rogue Regency Inn, Medford, Oregon
Contact Manufactured Housing Communities of Oregon
503-391-4496

Legislative Summer Fly-In

June 24-26, 2018
Washington D.C.

MHI Annual Meeting

September 23-25, 2018
Pasea Hotel
Huntington Beach, CA

2018 NCC Fall Leadership Conference

November 7-9, 2018
Westin Michigan Ave., Chicago, IL

Over \$700,000,000 in park sales. Visit our website at www.nwparks.com

For more information on manufactured home communities for sale or an assessment of your community call Bill Jackson of Northwest Park Brokerage at 206.652.4100 or email Bill at: billj@nwparks.com

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